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ATTORNEYS AT LAW

2000 PENNSYLVANIA AVENUE, NW
WASHINGTON, D.C. 20006-1888
TELEPHONE (202) 887-1500
TELEFACSIMILE (202) 887-0763

NEW YORK
WASHINGTON, D.C.
NORTHERN VIRGINIA
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BEIJING
HONG KONG
SINGAPORE
TOKYO

May 14, 2004

Writer's Direct Contact
202/887-1510
CTritt@mofo.com

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Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Room TW-B204A
Washington, D.C. 20554

Re: ALLTEL Communications Inc., Petition for Consent to Redefine Rural
Telephone Company Service Areas in Wisconsin
CC Docket No. 96-45, DA No. 04-565, DA No. 04-999

Dear Ms. Dortch:

Pursuant to the Commission's April 12, 2004 Public Notice,¹ ALLTEL Communications, Inc. ("ALLTEL") further supplements the record in the above-referenced proceeding in support of its request for Commission approval of the service area redefinition decision of the Wisconsin Public Service Commission ("WPSC"). Specifically, ALLTEL submits this supplement to reflect the requirements of *Highland Cellular*.² In designating Highland Cellular, Inc. an eligible telecommunications carrier ("ETC") in Virginia, this Commission elaborated on the population density analysis used in *Virginia Cellular* to demonstrate a lack of creamskimming opportunities.³ Because minimizing creamskimming is also one of the factors in the rural service area

¹ FCC Public Notice, *Parties Are Invited to Update the Record Pertaining to Pending Petitions for Eligible Telecommunications Carrier Designations*, DA 04-999, CC Docket No. 96-45 (Apr. 12, 2004); 69 Fed. Reg. 22029 (Apr. 23, 2004) ("Public Notice").

² *Federal-State Joint Board on Universal Service; Highland Cellular, Inc. Petition for Designation as an Eligible Telecommunications Carrier In the Commonwealth of Virginia*, FCC 04-37, CC Docket No. 96-45 (Apr. 12, 2004) ("*Highland Cellular*").

³ *Federal-State Joint Board on Universal Service; Virginia Cellular, LLC Petition for Designation as an Eligible Telecommunications Carrier In the Commonwealth of Virginia*, 19 FCC Rcd 1563 (2004) ("*Virginia Cellular*").

MORRISON & FOERSTER LLP

Marlene H. Dortch
May 14, 2004
Page Two

redefinition criteria, *Highland Cellular's* development of the creamskimming analysis offers further guidance as to the requested service area redefinition by wire center.⁴

Accordingly, ALLTEL submits additional data to further demonstrate the absence of creamskimming opportunities in the partially served Wisconsin rural incumbent local exchange carrier ("ILEC") study areas covered by the WPSC's service area redefinition decision. Attached as Exhibit A is a revised wire center population density chart for the Wisconsin rural ILEC study areas partially served by ALLTEL's cellular service. It is similar to the population density chart submitted as Exhibit A to ALLTEL's supplemental filing of March 26, 2004 in support of its request ("March 26 Supplement"),⁵ except that the attached chart:

1. includes an additional column showing the total population of each wire center;
2. includes an additional column showing the area of each wire center in square miles;
3. expresses population density in terms of persons per square mile ("p./sq. mi."), rather than households per square mile; and
4. includes the average population density of all of the served wire centers and the average density of all of the unserved wire centers in each partially served study area in the population density column.

To assist the Commission, the average densities of the served and unserved wire centers in each partially served study area have been extracted from Exhibit A and summarized in a separate chart attached as Exhibit B.

As discussed below, this additional data permits a more refined creamskimming analysis. That analysis demonstrates that ALLTEL is eager to serve low-density, high-cost rural service areas in Wisconsin presenting little risk of creamskimming. The Commission should immediately approve the WPSC's redefinition decision to facilitate the development of competition in the covered rural service areas.

⁴ See, e.g., *Highland Cellular* ¶ 39.

⁵ Letter from Cheryl A. Tritt, Counsel, ALLTEL Comm., Inc., to Marlene H. Dortch, Sec., FCC, CC Docket No. 96-45, DA No. 04-565, Exh. A (Mar. 26, 2004) ("March 26 Supplement").

MORRISON & FOERSTER LLP

Marlene H. Dortch
May 14, 2004
Page Three

I. Background

In a September 30, 2003 decision, the WPSC conditionally granted ALLTEL ETC status as a cellular telecommunications service provider for those portions of rural ILEC study areas in Wisconsin that it partially serves, subject to this Commission's approval of the use of partial rural study areas for ETC purposes ("*WPSC Decision*").⁶ ALLTEL filed its petition for Commission approval of the WPSC's service area redefinition decision on November 21, 2003 ("Petition").⁷

In the March 26 Supplement, ALLTEL applied the creamskimming analysis that the Commission had set forth in *Virginia Cellular* in redefining certain rural ILEC service areas at the wire center level. In *Virginia Cellular*, the Commission noted that a low population density typically indicates a high-cost area and vice-versa. The Commission accordingly granted ETC status in partially served rural study areas where Virginia Cellular "will not be serving only low-cost areas to the exclusion of high-cost areas,"⁸ based on the relative "population densities of the wire centers Virginia Cellular can and cannot serve."⁹

In *Highland Cellular*, the Commission refined *Virginia Cellular*'s creamskimming analysis by considering the relative total populations of certain ILEC wire centers falling within Highland Cellular's licensed service area. In deciding that designation of Highland Cellular as an ETC would raise creamskimming concerns in the portion of Verizon South's study area covered by Highland Cellular's license, the Commission noted that

approximately 94 percent of Highland Cellular's potential customers in Verizon South's study area would be located

⁶ *Application of ALLTEL Communications, Inc., ALLTEL Wireless of Wisconsin RSA #1, LLC and ALLTEL Wireless of Wisconsin RSA #7, LLC for Designation as an Eligible Telecommunications Carrier in Wisconsin* at 10, Docket No. 7131-T1-101 (Wis. PSC Sept. 30, 2003) ("*WPSC Decision*").

⁷ See Petition of ALLTEL Communications, Inc. For Consent to Redefine the Service Areas of Rural Telephone Companies in the State of Wisconsin, *Federal-State Joint Board on Universal Service; Petition of ALLTEL Communications, Inc. for Consent to Redefine the Service Areas of Rural Telephone Companies in the State of Wisconsin*, CC Docket No. 96-45 (filed Nov. 21, 2003) ("Petition"). All other filings made by ALLTEL in this proceeding will be cited in an abbreviated manner. See also Amendment to the Petition of ALLTEL Communications, Inc. For Consent to Redefine the Service Areas of Rural Telephone Companies in the State of Wisconsin, CC Docket No. 96-45 (filed Nov. 26, 2003).

⁸ *Virginia Cellular*, 19 FCC Rcd at 1578.

⁹ *Id.* at 1582.

MORRISON & FOERSTER LLP

Marlene H. Dortch
May 14, 2004
Page Four

in the four highest-density, and thus presumably lowest-cost, wire centers in Verizon South's study area. ...In contrast, the remaining ... six percent of Highland Cellular's potential customers in Verizon South's study area ... are located in the two lowest-density, highest-cost wire centers....¹⁰

Thus, where a wireless ETC's licensed service area covers a portion of an ILEC study area including both low density and high density wire centers, it may be necessary for the Commission to review the relative populations of the two categories of wire centers in determining the impact of ETC status, as well as service area redefinition,¹¹ on creamskimming opportunities within the partially served study area.

II. The Application Of *Highland Cellular* Confirms The Absence Of Cream Skimming Opportunities

In the March 26 Supplement, ALLTEL stated that, of the partially served rural Wisconsin study areas, the overall average population density, in households per square mile, of the wire centers served by ALLTEL is lower than the average density of the wire centers that it does not serve, based on the wire center population density chart attached as Exhibit A to the March 26 Supplement. Using persons per square mile as the measure of population density, the revised Exhibit A shows that the overall average density of the served wire centers (67 p./sq. mi.) is somewhat higher than the density of the unserved wire centers (44 p. /sq. mi.). As explained below, however, the differences within each study area are so slight, particularly in light of the population distributions within each study area and other factors, that it must still be concluded that ALLTEL is not serving the higher-density, lower-cost wire centers to the exclusion of the lower-density, higher-cost wire centers in the partially served study areas. The redefinition of these service areas by wire center therefore will not undercut the affected ILECs' abilities to serve their entire study areas.

As mentioned above, the overall average density of the rural Wisconsin served wire centers is 67 persons per square mile, and the overall average density of the unserved wire centers is 44 persons per square mile -- not a significant difference, compared with the magnitude of the differences found to raise creamskimming concerns

¹⁰ *Highland Cellular* ¶ 31.

¹¹ *See id.* ¶¶ 31, 39.

MORRISON & FOERSTER LLP

Marlene H. Dortch

May 14, 2004

Page Five

in *Virginia Cellular* and *Highland Cellular*.¹² This difference is more akin to the difference found not to raise creamskimming concerns in *Virginia Cellular*.¹³ Moreover, for most of the partially served rural Wisconsin study areas, the average density of the served wire centers is roughly equal to or less than the density of the unserved wire centers in the same study area.¹⁴ Thus, ALLTEL is not serving the higher-density, lower-cost wire centers to the exclusion of the lower-density, higher-cost wire centers in those study areas. In two of those study areas, there are one or two served wire centers that are more densely populated than the other wire centers in the same study area, but only a small fraction of the portion of each study area that is served by ALLTEL lies within the densely populated wire centers.¹⁵ Thus, redefinition of those study areas on a wire center basis cannot harm the ILECs' abilities to serve their entire study areas.¹⁶

In three other study areas, the average density of the served wire centers is only fractionally higher than the average density of the unserved wire centers.¹⁷ In one of those study areas, there is also one served wire center that is substantially more densely populated than the other wire centers in the study area, but the more densely populated

¹² See, e.g., *Virginia Cellular*, 19 FCC Rcd at 1579-80 (ratio of 273 p./sq. mi. in the single served wire center to an average density of 33 p./sq. mi. in the unserved wire centers).

¹³ *Id.* at 1578-79 & n. 110 (ratio of an average density of 2.30 p./sq. mi. in the served wire centers to an average density of 2.18 p./sq. mi. in the unserved wire centers).

¹⁴ Those study areas, and the ratios of the average density of the served wire centers to the average density of the unserved wire centers, in persons per square mile, are: CenturyTel of Central Wisconsin (36 to 56), CenturyTel of Northern Wisconsin (11 to 11), CenturyTel of the Midwest - Kendall (40 to 89), CenturyTel of the Midwest - Wisconsin (36 to 62), Chequamegon Communications Coop (7 to 14), Mount Vernon Telephone Co. (55 to 177), and Telephone USA of Wisconsin (24 to 23).

¹⁵ In the CenturyTel of Central Wisconsin study area, two served wire centers, with densities of 108 and 162 p./sq. mi., are significantly more densely populated than the other wire centers in the study area. Those two wire centers, however, contain only 12.4 percent of the total population of the served wire centers in that study area. Similarly, ALLTEL serves eleven of the 17 wire centers in the CenturyTel of Northern Wisconsin study area, including the two highest-density wire centers, with 45 and 28 p/sq. mi. Only about 32 percent of the total population of the served wire centers is in the two highest-density wire centers, however, leaving over 68 percent is in the remaining served wire centers, ranging in density from 3 p/sq. mi. (the lowest density wire center in the entire study area) to 19 p/sq. mi.

¹⁶ See *Highland Cellular* ¶ 31.

¹⁷ Those study areas, and the ratios of the average density of the served wire centers to the average density of the unserved wire centers, in persons per square mile, are: CenturyTel of Northwest Wisconsin (20 to 17), Frontier Communications of Wisconsin (45 to 39) and Midway Telephone Co. (43 to 32).

MORRISON & FOERSTER LLP

Marlene H. Dortch
May 14, 2004
Page Six

wire center contains only a fraction of the total population of the served wire centers in that study area.¹⁸ In each of the other two study areas, the population of the served wire center or centers is low, relative to the population of the same ILEC's unserved wire centers, and one of those ILECs has filed a disaggregation plan, further reducing the possibility of creamskimming.¹⁹ Thus, the slightly higher average density of the served wire center or centers in each of those study areas is not likely to undermine any ILEC's ability to serve its entire study area.

In the four remaining study areas, the served wire centers have a relatively higher average density than the unserved wire centers, but in each case, those averages are all fairly low density figures in absolute terms.²⁰ That the unserved wire centers are even less densely populated, overall, than the served wire centers thus does not mean that ALLTEL is "serving only low-cost areas to the exclusion of high-cost areas" in those rural ILECs' study areas.²¹ Moreover, three of those four ILECs have filed disaggregation plans.²² Although the Commission, in *Virginia Cellular* and *Highland Cellular*, in considering the potential for creamskimming where ILECs had not filed

¹⁸ In the CenturyTel of Northwest Wisconsin study area, one of the served wire centers is the most densely populated wire center in the study area, with a density of 81 p./sq. mi. That wire center, however, contains less than 40 percent of the total population of the served wire centers in that study area, leaving over 60 percent of the served population in wire centers of a similar range of densities as the unserved wire centers.

¹⁹ In the case of the Frontier study area, the most densely populated wire center lies outside ALLTEL's service area, and its population is greater than the total population of all of the Frontier wire centers served by ALLTEL. Frontier also has filed a disaggregation plan. (See discussion of disaggregation plans below.) Similarly, the single Midway wire center served by ALLTEL has a slightly higher density than the two unserved Midway wire centers, but one of the unserved wire centers has more than five times the population of the served wire center.

²⁰ Those study areas, and the ratios of the average density of the served wire centers to the average density of the unserved wire centers, in persons per square mile, are: Amery Telcom, Inc. (55 to 30), Chibardun Telephone Coop (38 to 17), Stockbridge & Sherwood Telephone (74 to 34) and West Wisconsin Telephone Coop (48 to 22).

²¹ *Virginia Cellular*, 19 FCC Rcd at 1578. In one of those study areas, Chibardun Telephone Cooperative, one of the served wire centers, with a density of 89 p./sq. mi., is the most densely populated wire center in the study area, and the densities of the other served wire centers are roughly in line with the densities of the unserved wire centers. The higher density served wire center, however, contains only 37 percent of the total population of the served wire centers in that study area, leaving 63 percent of the served population in wire centers of a similar range of densities as the unserved wire centers.

²² The three ILECs filing disaggregation plans are Amery Telecom, Inc., Chibardun Telephone Coop and West Wisconsin Telephone Coop.

MORRISON & FOERSTER LLP

Marlene H. Dortch
May 14, 2004
Page Seven

disaggregation plans, “reject[ed] arguments that incumbents can, in every instance, protect against creamskimming by disaggregating high-cost support to the higher-cost portions of the incumbent’s study area,”²³ it also recognized that

[t]here are fewer issues regarding inequitable universal service support and concerns regarding the incumbent’s ability to serve its entire study area when there is in place a disaggregation plan for which the per-line support available to a competitive ETC in the wire centers located in “low-cost” zones is less than the amount a competitive ETC could receive if it served in one of the wire centers located in the “high-cost” zones.²⁴

Thus, although the mere possibility of filing a disaggregation plan is not, by itself, an inherent protection against creamskimming, where a rural ILEC has filed such a plan, it has made a judgment that, in fact, disaggregation will protect it against the possibility of creamskimming by a competitive ETC serving only the low-cost portions of its study area. The disaggregation plans in place for three of the four partially served study areas for which the served wire centers are substantially more densely populated than the unserved wire centers thus are a significant protection against creamskimming opportunities in those study areas.

III. Conclusion

Given the relative population densities and population distributions among the wire centers in the partially served rural Wisconsin study areas, and the low population densities, in absolute terms, of all of the served wire centers, it is clear that the proposed service area redefinition by wire center does not raise any significant creamskimming concerns. The requested redefinition, in conjunction with the ETC designation granted in the *WPSC Decision*, will not undercut the affected ILECs’ abilities to serve their entire study areas or harm them in any other way, particularly in light of the disaggregation plans filed by six of the affected ILECs.²⁵ The WPSC is as “uniquely qualified to examine” ALLTEL’s redefinition proposal as the Virginia Commission was

²³ See, e.g., *Highland Cellular* ¶ 32.

²⁴ *Id.* ¶ 32 n.96.

²⁵ In addition to the four disaggregating ILECs mentioned above, Chequamegon Telephone Cooperative and Mount Vernon Telephone Co. have filed disaggregation plans. See Petition at 10 n.29.

MORRISON & FOERSTER LLP

Marlene H. Dortch
May 14, 2004
Page Eight

to examine Virginia Cellular's requested redefinition.²⁶ This Commission therefore should immediately consent to the WPSC's redefinition decision.

If you have any questions regarding this further supplement, please contact the undersigned.

Yours truly,

/s/ Cheryl A. Tritt

Cheryl A. Tritt
Frank W. Krogh

Counsel for ALLTEL Communications, Inc.

cc: William Maher
Carol Matthey
Narda Jones
Eric Einhorn
Anita Cheng
Sheryl Todd
Tom Buckley
Shannon Lipp
Glenn S. Rabin

dc-379201

²⁶ See *Virginia Cellular*, 19 FCC Rcd at 1583-84.